

Yunnan Provincial Energy Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A’ global scale Long-term Issuer Credit Rating of Yunnan Provincial Energy Investment Group Co., Ltd. (“YEIG” or “the company”); Issuer Rating Outlook Stable

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	17 September 2025

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yunnan Province (“Yunnan government”) would provide very strong support to YEIG if needed, in light of its majority ownership of YEIG, YEIG’s strategic position as the most important state-owned energy entity for the investment and development of the green energy industry, and the integration of energy resources of Yunnan, and the strong linkage between the Yunnan government and YEIG, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Yunnan government may face significant negative impact on its reputation, business and financing activities should YEIG encounter any operational or financial difficulties.

Yunnan’s GDP reached RMB3,153.4 billion in 2024, representing a year-over-year growth rate of 3.3%. The budgetary revenue also increased by 2.0% to RMB219.3 billion in 2024.

The Stable Outlook reflects our expectation that YEIG’s strategic importance would remain intact while the Yunnan government will continue to ensure YEIG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Yunnan government indirectly holds the majority of YEIG’s shares through Yunnan Provincial Investment Holding Group Co., Ltd. (50.99%), Yunnan Yuntou Capital Operation Co., Ltd. (13.94%), Yunnan Yineng New Energy Development Co., Ltd. (11.52%) and other state-owned company in Yunnan at end-June 2025. The State-owned Assets Supervision and Administration Commission of the Yunnan government (“Yunnan SASAC”) is the ultimate controlling shareholder. It has final decision-making rights and supervision over YEIG, including control of the board of directors, major strategic, investment and financing plans. In addition, the Yunnan SASAC appoints auditors to audit the operating performance and financial of YEIG.

Strategic Importance to Yunnan and Strategic Alignment: YEIG serves as Yunnan’s flagship state-owned enterprise, tasked with advancing the province’s green energy transition and integrated energy resource development. The company plays a central role in funding, constructing, and operating critical energy infrastructure across the region. Its investment portfolio spans hydropower, thermal plants, wind/solar farms, green silicon manufacturing, natural gas projects, and other renewable initiatives aligned with Yunnan’s dual priorities of economic growth and energy security.

YEIG’s strategic planning and development have been aligned with the local government’s economic and social policies, aiming to develop Yunnan’s economic and the green energy industry. The Yunnan government and government-owned entities in the region may face significant negative impact on its reputation, business and financing activities should YEIG encounter any operational or financial difficulties.

Ongoing Government Support: YEIG continued to receive financial subsidies and preferential tax and/or tax exemption policies in encouraged high-tech industries from the Yunnan government to support its business operations. Between 2022 and the first six

Analysts

Jack Li, CESGA
(852) 3462 9585
jack.li@lhratingsglobal.com

Joyce Huang, CFA
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

months of 2025, YEIG received financial subsidies of totally about RMB1.0 billion from the local government. Meanwhile, YEIG received capital, asset and equity injections in the form of projects, buildings and other assets from the Yunnan government. We expect YEIG to receive ongoing support from the Yunnan government in the coming years considering its strategic importance in Yunnan.

YEIG's Financial Matrix and Liquidity Position: YEIG's total assets showed continuous growth in recent years, with growth rates of 1.1% and 1.7% in 2024 and 1H2025, respectively. YEIG's financial leverage, as measured by total liability/total asset, decreased to 65.6% at end-June 2025 from 69.5% at end-2023 due to targeted debt reduction. YEIG primarily allocates its capital expenditure investments to wind power, photovoltaic, coal, natural gas pipeline network, and thermal power projects. It may face some capital expenditure pressure given the growth plans of these sectors. Its total adjusted debt decreased to RMB143.0 billion at end-June 2025 from RMB144.6 billion at end-2023, with the short-term debt accounting for 41.7% of its total debt at the time.

YEIG's liquidity was moderately weak. YEIG had a total unrestricted cash balance of RMB14.5 billion at end-June 2025, compared with its debt to be due within one year of RMB58.6 billion. Having said that, YEIG has wide access to multiple financing channels including bank borrowings, syndicated loans, corporate bonds, non-traditional financing channels such as trust loans and finance leases, and access to the equity market through its main subsidiaries, Yunnan Energy Investment Co., Ltd. YEIG had a total credit line of RMB226.2 billion (unused: RMB121.8 billion) at end-June 2025.

Rating Sensitivities

We would consider downgrading YEIG's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the local government's ownership of YEIG, or (3) there is a downgrade in our internal credit assessment on the Yunnan government.

We would consider upgrading YEIG's rating if there is an upgrade in our internal credit assessment on the Yunnan government.

Operating Environment

Economic Condition of Yunnan

Yunnan is located at the southwest border of China and adjoin to Myanmar, Laos and Vietnam. It has geographic advantage to promote border trade and is positioned as a radial center facing the South and Southeast Asia region in the development plan of "Belt and Road Initiative". Yunnan has jurisdiction over 8 prefecture-level cities and 8 autonomous prefectures with a total land area of c. 394,100 square kilometers. At end-2024, Yunnan has a residential population of 46.6 million, with an urbanization rate of 54.1%.

Yunnan's GDP reached RMB3,153.4 billion in 2024, representing a year-over-year growth rate of 3.3%, which was ranked 18th in terms of the GDP in China. The economic growth was mainly fueled by the secondary and tertiary industries, which accounted for 32.8% and 53.9% in 2024, respectively. However, the fixed asset investment growth rate remained negative, recording at -7.7 % in 2024.

Yunnan's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	2855.6	3059.6	3153.4
-Primary industry (%)	14.0	14.0	13.3
-Secondary industry (%)	35.4	34.2	32.8
-Tertiary industry (%)	50.5	51.8	53.9
GDP growth rate (%)	4.2	4.4	3.3
Fixed asset investment growth rate (%)	7.5	-10.6	-7.7
Population (million)	46.9	46.7	46.6

Source: Financial Bureau of Yunnan, statistical bureau of Yunnan and Lianhe Global's calculations

*Estimated by Lianhe Global

Fiscal Condition of Yunnan

The budgetary revenue of the Yunnan government increased to RMB219.3 billion in 2024 from RMB214.9 billion in 2023, with a year-over-year growth rate of 2.0%. The fiscal self-sufficiency rate of the Yunnan government remained weak, although its budget deficit narrowed slightly to 212.9% in 2024 from 213.1% in 2023. In addition, the government fund income rebounded to RMB74.3 billion in 2024 from RMB65.3 billion in 2023, mainly due to the increased land use right transfer income amid improved property market conditions.

The outstanding debt of the Yunnan government kept growing in past few years. At end-2024, the Yunnan government's outstanding debt increased to RMB1,631.9 billion from RMB1,444.1 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 210.4% at end-2024 from 195.8% at end-2023.

Yunnan's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	194.9	214.9	219.3
Budgetary revenue growth rate (%)	2.0	10.3	2.0
Tax revenue	119.7	138.8	141.6
Tax revenue (% of budgetary revenue)	61.4	64.6	64.6
Government fund income	62.1	65.3	74.3
Transfer payment	447.6	447.5	474.0
Aggregate revenue	709.1	737.4	775.7
Budgetary expenditure	670.0	673.0	686.3
Budget balance ¹ (%)	-243.7	-213.1	-212.9
Government debt ratio (%)	170.6	195.8	210.4

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Yunnan, statistical bureau of Yunnan and Lianhe Global's calculations

Company Profile

YEIG was established in February 2012, with an initial registered capital of RMB10.2 billion under the approval of the Yunnan government. After several capital injections and equity transfers, the paid in capital of YEIG reached RMB22.0 billion at end-June 2025. The Yunnan government, as the actual controller of the company, has the majority ownership of YEIG via the Yunnan SASAC and other LIDCs in Yunnan.

YEIG is a diversified state-owned entity that primarily engages in the investment and development of the energy sector to assist the implement of the Yunnan government's energy strategies. YEIG invests in hydropower, fossil fuel, wind power, natural gas, solar and other new energy projects, and green energy development. Meanwhile, YEIG diversifies its business into power generation and sales, coal mining and sales, natural gas operation, logistics and trading, financial business, development of industrial parks, salt chemical



product and other chemical products, industrial silicon, organic silicon and lithium development, and expand the business cooperation with other countries in the Southeast Asia region. The company generated revenues of RMB117.7 billion, RMB99.5 billion, and RMB41.6 billion in 2023, 2024 and the first six months of 2025, respectively. Over the same period, the company's gross margin demonstrated consecutive growth, rising from 11.7% to 13.1% and further to 15.2%. This improvement was driven by strengthened profitability in its electricity and coal businesses, and complemented by robust earnings contributions from strategic equity investments in high-performing hydropower assets, which provided additional support to overall margins.

Key Financial Data

(RMB million)	2022	2023	2024	2025.6
Total Assets	251,068	260,502	263,392	267,959
Equity	81,112	79,365	90,433	92,151
Liability	169,956	181,137	172,958	175,808
Liability / Asset (%)	67.7	69.5	65.7	65.6
Unrestricted cash/ST Debts (x)	0.1	0.2	0.3	0.2
Debt/EBITDA (x)	12.3	11.9	12.5	-
Revenue	126,107	117,671	99,463	41,573
Operation Profit	3,887	4,552	3,894	2,387
Gross Margin (%)	10.3	11.7	13.1	15.2
Cash from sales or services/ Revenue (%)	106.0	106.6	108.1	110.5

Source: YEIG and Lianhe Global's calculations

Disclaimer

Ratings (including credit ratings and other rating products) and research reports published by Lianhe Ratings Global Limited ("Lianhe Global" or "the Company" or "us") are subject to certain terms and conditions. Please read these terms and conditions at the Company's website: www.lhratingsglobal.com

A rating is an opinion which addresses the creditworthiness of an entity or security or the assessment of an instrument. Ratings are not a recommendation or suggestion to buy, sell, or hold any security or instrument. Ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a rating. All ratings are derived by a rating committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global's website for the last rating action and the rating history. Please see Lianhe Global's website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company's independent ratings and research.

Copyright © Lianhe Ratings Global Limited 2025.